

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07  
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05  
SS-15 STR-05 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02  
OMB-01 AF-10 ARA-10 NEA-10 /141 W  
-----117529 232126Z /45

P 231908Z SEP 77

FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC PRIORITY 2055  
INFO ALL EC CAPITALS  
USMISSION GENEVA  
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 12628

USEEC

PARIS ALSO FOR OECD  
GENEVA ALSO FOR MTN

E.O.11652:GDS  
TAGS: EEC, ETRD, IND, MTN, GATT  
SUBJECT: US-EC TALKS ON STEEL

1. SUMMARY: US/EC HIGH LEVEL DISCUSSION ON STEEL  
FOCUSED ON MOUNTING US DOMESTIC PRESSURES TO FIND  
SOLUTION TO PROBLEM. US ADMINISTRATION WILL USE ANTI-  
DUMPING MEASURES AGAINST EUROPEAN STEEL PRODUCERS  
BUT WILL CONTINUE TO LOOK FOR AN INTERNATIONAL SOLUTION.  
IF TIMELY INTERNATIONAL SOLUTION NOT FORTHCOMING, PRESSURE  
ON USG TO IMPOSE QRS ON STEEL IMPORTSWILL BE DIFFICULT TO  
RESIST. EC WILL NOT OBJECT TO ANTI-DUMPING PROCEDURES  
AND PLANS TO MAKE GREATER USE OF THIS WEAPON TOO, BUT  
EC WANTS INTERNATIONAL RULES FOR APPLYING ANTI-DUMPING  
AND WARNS THAT UNILATERALLY IMPOSED QRS WILL HAVE  
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NEGATIVE IMPACT ON GENERAL FREE TRADE EFFORT. EC WILL  
DISCUSS ITS IDEAS ALONG LINES OF STR STRAUSS PROPOSAL FOR  
PERMANENT INTERNATIONAL BODY TO MONITOR STEEL SITUATION  
INFORMALLY AT NEXT WEEK'S OECD STEEL SUB-GROUP MEETING.  
END SUMMARY.

2. DURING THE SEPTEMBER 21-22 US-EC DISCUSSIONS ON MTN,

AMBASSADORS WOLFF AND MCDONALD DISCUSSED WITH EC COMMISSIONER DAVIGNON AND DIRECTOR GENERAL FOR INDUSTRIAL AFFAIRS FERNAND BRAUN THE RECENT EVOLUTION OF THE PROBLEMS OF THE WORLD STEEL INDUSTRY AND POSSIBLE NEXT STEPS TOWARD A SOLUTION. THE US REPRESENTATIVES EXPRESSED THE STRONG CONCERN FELT BY THE ADMINISTRATION AND THE CONGRESS AS WELL AS THE GENERAL AMERICAN PUBLIC AS REGARDS UNFAIR IMPORTS. THE CAMPAIGN AGAINST ALLEGEDLY UNFAIR IMPORTS CAN ONLY INTENSIFY AS THE SITUATION IN THE STEEL INDUSTRY STAGNATES OR WORSENS. ALTHOUGH THE TROUBLES OF THE US STEEL INDUSTRY ALSO STEM PARTLY FROM A HISTORY OF EFFECTIVE PRICE CONTROL AND RECENT POLLUTION-CONTROL EXPENDITURES IMPOSED ON THE INDUSTRY, THE STEEL INDUSTRY IS AWARE THAT IT HAS LITTLE LEVERAGE OVER THESE TWO FACTORS. THE TENDENCY THEREFORE IS FIRST TO BLAME UNFAIR IMPORTS.

3. THE PROBLEM OF US INDUSTRY WHICH WAS ORIGINALLY PERCEIVED AS A JAPANESE PROBLEM HAS ALSO BECOME MORE OF A EUROPEAN PROBLEM. THIS WAS ANTICIPATED, THE US SIDE SAID AS A RESULT OF THE DAVIGNON PLAN. ANTI-DUMPING CASES AGAINST EC PRODUCERS ARE EXPECTED TO BE PRESENTED TO TREASURY BY GEORGETOWN STEEL AND PROBABLY US STEEL.

4. US SIDE POINTED OUT THAT THERE WAS NOT MUCH TIME LEFT FOR EXTENSIVE DISCUSSION OF POSSIBLE MULTILATERAL  
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SOLUTIONS. THERE HAS ALREADY BEEN CONSIDERABLE AMOUNT OF EFFORT AND TIME SPENT WITHOUT NOTICEABLE RESULTS. IT WOULD NOT BE ENOUGH NOW, FOR EXAMPLE, TO COME UP WITH A COMMISSION OF WISE MEN OR COMMITTEES TO EXCHNAGE INFORMATION. CONGRESS WOULD NOT LEAVE MUCH MORE LEEWAY TO ADMINISTRATION OFFICIALS FOR INTERNATIONAL DISCUSSIONS IF PRODUCTIVE RESULTS WERE NOT FORTHCOMING SOON. WITHOUT MORE IMMINENT PROSPECTS FOR MULTILATERAL SOLUTIONS STEEL QUOTAS ARE LIEKLY TO BE IMPOSED AND BORDERS WILL CLOSE TO TRADE.

5. THERE IS NO AGREED US POSITION ON WHAT THE NEXT STEP SHOULD BE. THE US FEELS THE PROBLEM REMAINS BASICALLY A PRICE PROBLEM, AND ANTI-DUMPING PROCEDURES SUCH AS THOSE ALREADY IN PROCESS AGAINST JAPANESE AND EC PRODUCERS WILL BE USED TO DEAL WITH UNFAIR PRICE COMPETITION. BUT WITH IMPORTS NOW AT 19 PERCENT OF THE US MARKET, THERE MAY BE ADDITIONAL PRESSURE ON THE ADMINISTRATION AND LEGISLATORS FOR QUANTITATIVE CONTROLS. THE PROBLEM WITH THE PRICE ORIENTED APPROACH IS THAT IT IS EXTREMELY DIFFICULT TO ASSESS COSTS. HOWEVER, IT MAY BE POSSIBLE TO PROVIDE FOR EASIER ACCESS TO ANTI-DUMPING

MEASURES. AS A RESULT OF A RECENT REORGANIZATION AT THE US TREASURY THE ENFORCEMENT OF ANTI-DUMPING IS NOT VIEWED IN A TRADE POLICY CONTEXT BUT RATHER ENFORCEMENT OF A DOMESTIC LAW. THIS DOES NOT MEAN, THE US SIDE POINTED OUT, THAT US WILL NOT SEEK A LONG-TERM SOLUTION TO THE PROBLEM. US REPRESENTATIVES PROPOSED THE FOLLOWING FIRST STEPS TOWARDS A SOLUTION:

- INCREASED EXCHANGE OF INFORMATION;
- A MULTILATERAL MONITORING BODY TO EXAMINE THIS INFORMATION AND DEAL WITH PROBLEMS, AND POSSIBLY;
  
- AGREED RULES ON GOOD CONDUCT IN STEEL TRADE PRODUCTION.

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P 231908Z SEP 77

FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC PRIORITY 2056  
INFO ALL EC CAPITALS  
USMISSION GENEVA  
AMEMBASSY TOKYO

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6. THE COMMISSION SIDE EXPRESSED ITS CONCERN ABOUT POSSIBLE QUOTAS ON EC STEEL IN THE US MARKET JUST WHEN THE EC HAD LOST MANY OF ITS MARKETS ABROAD TO JAPANESE STEEL. THEY SAID THAT THE MARKET SHARE OF EC STEEL EXPORTS TO THE US HAS DROPPED FROM ABOUT 40 PERCENT IN THE EARLY 1970S TO ABOUT 20 PERCENT EARLIER THIS YEAR AND POSSIBLY 25 PERCENT NOW.

7. EC ALSO EXPRESSED CONCERN THAT IT WOULD BE EXTREMELY DIFFICULT TO CONVINCE THE EC MEMBER STATES TO CONTINUE ALONG THE PATH OF FREE TRADE IF THEY WERE SUDDENLY FACED WITH UNILATERALLY IMPOSED SOLUTIONS IN ONE OF THE MOST SENSITIVE SECTORS OF EC INDUSTRY. BRAUN MADE IT

CLEAR HE DID NOT WANT TO PLACE PRIMARY RELIANCE ON THE OECD AD HOC GROUP AS PROPER VENUE FOR STEEL DISCUSSIONS, BUT SAID THAT THE INTERNATIONAL ALTERNATIVES SHOULD BE EXHAUSTED BEFORE A NATIONAL DECISION WAS TAKEN. US SIDE AGREED INTERNATIONAL EFFORTS SHOULD CONTINUE BUT REPEATED THAT THERE WAS ONLY A LIMITED AMOUNT OF TIME DURING WHICH US ADMINISTRATION COULD CONTINUE TO SAY THAT IT WAS CONFIDENTIAL

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SEARCHING FOR A SOLUTION.

8. THE EC SIDE INDICATED THAT THEY HAVE NO BASIC COMPLAINT AGAINST US USE OF ANTI-DUMPING PROCEDURES AND INDICATED THAT THE EC MIGHT HAVE MORE RECOURSE TO ANTI-DUMPING ITSELF IN THE FUTURE. THEY DID NOTE, HOWEVER, THAT THEY WERE CONCERNED ABOUT THE MANNER IN WHICH THE ANTI-DUMPING MEASURES WERE APPLIED UNDER THE GATT AND SAID THAT THERE HAVE TO BE ACCEPTED STANDARDS FOR THE DETERMINATION OF INJURY.

9. AS IN THE PAST, THE EC DEFENDED ITS DAVIGNON PLAN FOR THE STEEL INDUSTRY BY CLAIMING THAT IF THE PLAN REDUCED TOTAL PRODUCTION THEN THIS COULD ONLY HAVE A BENEFICIAL EFFECT ON IMPORTS INTO THE US MARKET. AMBASSADOR WOLFF POINTED OUT THAT IF THE PLAN IS SUCCESSFUL IN RAISING PRICES ABOVE WORLD LEVEL AND IN CONTROLLING DOMESTIC SALES BUT NOT EXPORTS, THERE WOULD BE AN INCENTIVE TO SELL AT DUMPING PRICES.

10. BRAUN SAID THAT THERE MAY TWO OR THREE PROBLEM AREAS, LIKE STEEL, WHICH MAY NEED SPECIAL TREATMENT WITHIN THE GATT AND THAT FOR THESE AREAS ARTICLE 19 SHOULD BE ADJUSTED TO FIT THE PRESENT SITUATION. HE NOTED THAT THE EC HAD NO POSITION ON THIS BUT EXPRESSED THE OPINION THAT THE EC WOULD BE FORMULATING ITS IDEAS IN THE NEAR FUTURE.

11. BRAUN PROMISED THAT THE COMMISSION WOULD THINK ABOUT US PROPOSALS, SUCH AS THE ESTABLISHMENT OF A PERMANENT BODY TO DEAL WITH THE STEEL ISSUE. THIS SHOULD BE THE SUBJECT OF CORRIDOR DISCUSSIONS DURING THE SEPTEMBER 27-28 MEETING OF THE OECD AS AD HOC GROUP ON STEEL.  
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12. AMBASSADOR STRAUSS AND COMMISSIONER DAVIGNON ALSO

HAD AN OPPORTUNITY TO DISCUSS THE STEEL SITUATION AND  
THE LATTER ALSO DID NOT PROTEST THE IDEA THAT THE  
US MIGHT INSTITUTE THE ANTI-DUMPING ACTION.

13. DAVIGNON HAS ACCEPTED,SUBJECT TO SCHEDULING  
AVAILABILITY, STRAUSS INVITATION TO SPEAK IN US THIS  
FALL AT STR-SPONSORED CONFERENCE ON WORLD TRADE PROBLEMS.  
THIS MIGHT BEST BE IN ADVANCE OF A SPEECH HE IS SCHEDULED  
TO MAKE IN NEW YORK ON OCTOBER 15. HINTON

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## Message Attributes

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